

RENTAL CAR TAXES
RCW 82.08.020(2)

Tax Base Rental of automobiles. Rental cars are defined as passenger cars which are rented by rental car companies to customers, without drivers, for periods not in excess of 30 consecutive days.

Tax Rate

- 5.9 percent state tax.
- 1.0 percent local tax authorized for any county, RCW 82.14.049.
- 2.0 percent local tax authorized for King County, RCW 82.14.360(2).
- up to 2.172 percent local tax authorized for high capacity rapid transit, RCW 81.104.160(2); rate of 0.8 percent actually levied by RTA.
- up to 1.944 percent for mass transit facilities for municipalities, RCW 35.58.273(4). However, this is not an additional tax for rental car customers, as the receipts are credited against the state rental car tax.

The total state/local tax rate is 9.7 percent in King County.

Levied by State

Local:

- currently four counties levy the 1.0% county tax.
- King County imposes the additional 2.0% tax.
- the Regional Transit Authority (RTA) levies a tax of 0.8% in the metropolitan areas of King, Pierce and Snohomish counties.
- No city has yet levied the 1.944% tax for mass transit facilities.

Recent Collections

STATE TAX: (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2001	\$22,032	4.4%	0.2%
2000	21,111	6.8	0.2
1999	19,767	9.0	0.2
1998	18,143	1.4	0.2
1997	17,887	29.3	0.2
1996	13,831	6.3	0.1
1995	13,015	8.4	0.1
1994	12,010	-.-	0.1
1993	3,113	-.-	0.0

LOCAL TAXES: (\$000)

<u>Calendar Year</u>	<u>County 1.0%*</u> <u>Collections</u>	<u>King Co 2.0%</u> <u>Collections</u>	<u>RTA 0.8%</u> <u>Collections</u>
2001	\$5,351	\$5,372	\$2,407
2000	4,228	5,511	2,602
1999	2,949	4,740	2,154
1998	3,309	4,656	2,066
1997	2,415	4,006	1,198
1996	2,500	3,640	- -
1995	2,255	- -	- -
1994	1,961	- -	- -
1993	1,710	- -	- -

*currently levied by Franklin, King, Pierce and Spokane counties.

Administration

Department of Revenue. Rental car companies collect the state and local tax from customers and report the taxes on an addendum to the combined excise tax return (Form #40 0027). Thus, the same reporting frequency as used for retail sales and B&O tax applies to the rental car return.

Distribution of Receipts

- State 5.9% rate: Receipts of the state tax are deposited into the multimodal transportation account per RCW 47.66.070.
- County 1.0% rate: After deduction of the state administrative cost, the local receipts are distributed to the appropriate counties, to be used only for construction or operating public sports stadiums or youth or amateur sports activities or facilities.
- King Co. 2.0% rate: After deduction of the state administrative cost, the local receipts are distributed to King County, to be used only for financing the principal and interest payments for bonds or for related design and preconstruction costs for a professional baseball stadium in Seattle.
- R.T.A. 0.8% rate: Proceeds of the tax are devoted to financing of a high capacity, rapid transit system.

Exemptions, Deductions and Credits

- vehicles rented or loaned to customers by auto repair businesses.
- vehicles licensed and operated as taxicabs.

History

The initial rental car tax was adopted in 1992 and the state rate was first effective on January 1, 1993. Four counties implemented the 1.0 percent local tax in October, 1992. In 1995, the Legislature authorized the additional 2.0 percent local tax for King County to provide funding for construction of the professional baseball stadium in Seattle, and the King County Council imposed the tax effective for collection on January 1, 1996. The local tax for high capacity transit was authorized by the Legislature in 1992 and was first levied by the Regional Transit Authority, effective April 1, 1997, at a rate of 0.8 percent.

The state tax was previously distributed in the same manner as the motor vehicle excise tax. With the repeal of the motor vehicle excise tax, effective January 1, 2000, the receipts of the state rental car tax were transferred into the newly created multimodal transportation account in 2000.

Discussion/Major Issues

Approximately 155 firms reported state rental car tax during 2001.

The legislative intent in enacting the state and 1.0 percent county rental car tax in 1992 was that the new taxes would replace the motor vehicle excise tax but not increase the overall burden of tax for rental car companies. Previously, the MVET applied to all rental cars located in the state, even those only temporarily used in the state for short periods of time and no apportionment of the tax was provided to reflect the time the vehicle was actually operated in Washington. Instead, the new tax shifts the burden directly to the customers and better reflects actual use of the vehicles within the state. Further, the Legislature intended that the new rental car revenues be distributed in the same manner as the MVET, thus resulting in the complex formula indicated above.

The combined tax rate for rental car customers is quite high. Including the retail sales tax, the combined tax rate for car rentals in most of King County is currently 18.5 percent (9.7 percent in state and county rental car taxes plus 8.8 percent in state and local sales taxes).